

INTRODUCTION

Safe Shelter, Inc. had the following contracts with the Michigan Family Independence Agency (FIA), #DV 94-9906 amended, #DV 94-9906-3 amended, #DV 97-11001-1, and #DV 97-11001-2. These contracts were to provide administrative support with funding from other sources to provide actual shelter/counseling services. Safe Shelter, Inc. billed FIA monthly under the actual cost reimbursement billing method.

SCOPE

We performed an audit of the costs submitted for reimbursement by Safe Shelter, Inc. for the period October 1, 1994 through March 31, 1998. Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We performed the audit tests that we determined were necessary to determine if costs charged were proper, accurate, documented, and charged in accordance with the terms of the contract.

EXECUTIVE SUMMARY

We found that Safe Shelter, Inc. overbilled FIA for charges, which were in excess of actual costs. We also noted charges for expenses which were not in accordance with the terms of the contract during the audit period. The net amount overbilled to the state was \$ 18,345.00 (See Schedule A.)

Our report recommends the Child and Family Services Administration initiate the process to recoup \$18,345.00 from Safe Shelter, Inc.

AGENCY RESPONSE

Safe Shelter, Inc. did not respond to our draft report.

FINDINGS

Undocumented Salaries Expense Billed

1. Safe Shelter, Inc. overbilled FIA a net amount of \$13,771 for undocumented Salaries expense during the audit period. For the 94/95 contract the overbilled amount was \$473. For the 96/97 contract the overbilled amount was \$15,445. For the 97/98 contract the net amount of \$2,147 was underbilled (STOP [Stop Violence Against Women grant] Salaries were overbilled \$1,070 and Comprehensive Grant Salaries were underbilled \$3,217). The Salaries charges included in the billings did not agree with the audited Salaries expenses contained in the financial records. The financial records are the source document for the billings. (See Schedule A.)

Undocumented STOP Fringe Benefits Expense Billed

2. Safe Shelter, Inc. overbilled FIA a net amount of \$719 for undocumented STOP Fringe Benefits expense during the audit period. For the 96/97 contract the amount overbilled was \$800 and for the 97/98 contract the amount underbilled was \$81. The STOP Fringe Benefit charges included in the billings did not agree with the audited STOP Fringe Benefit expenses contained in the financial records. The financial records are the source document for the billings. (See Schedule A.)

Undocumented STOP Supplies Expense Billed

3. Safe Shelter, Inc. overbilled FIA \$77 for undocumented STOP Supplies expense during the audit period. This was for the 96/97 contract. The STOP Supplies charges included in the billings did not agree with the audited STOP Supplies expenses contained in the financial records. The financial records are the source document for the billings. (See Schedule A.)

Undocumented STOP Transportation Expense Billed

4. Safe Shelter, Inc. overbilled FIA a net amount of \$1,565 for undocumented STOP Transportation expense during the audit period. For the 96/97 contract the amount overbilled was \$1,319 and for the 97/98 contract the amount overbilled was \$246. The STOP Transportation charges included in the billings did not agree with the audited STOP Transportation expenses contained in the financial records. The financial records are the source document for the billings. (See Schedule A.)

Undocumented STOP Communication Expense Billed

5. Safe Shelter, Inc. overbilled FIA \$150 for undocumented Communication charges. This was for the 97/98 contract. The STOP Communication charges included in the billings did not agree with the audited STOP Communication expenses contained in the financial records. The financial records are the source document for the billings. (See Schedule A.)

Undocumented STOP Equipment Expense Billed

6. Safe Shelter, Inc. overbilled FIA \$350 for undocumented Equipment charges. This was for the 97/98 contract. The STOP Equipment charges included in the billings did not agree with the audited STOP Equipment expenses contained in the financial records. The financial records are the source document for the billings. (See Schedule A.)

Undocumented STOP Specific Assistance Expense Billed

7. Safe Shelter, Inc. overbilled FIA a net amount of \$1,713 for undocumented STOP Specific Assistance expense during the audit period. For the 96/97 contract the amount overbilled was \$1,088 and for the 97/98 contract the amount overbilled was \$625. The STOP Specific Assistance charges included in the billings did not agree with the audited STOP Specific Assistance expenses contained in the financial records. The financial records are the source document for the billings. (See Schedule A.)

WE RECOMMEND the Child and Family Administration initiate the process to recoup \$18,345.00 from Safe Shelter, Inc.

Documenting Costs

8. Safe Shelter, Inc. did not properly document and keep actual cost records as required by the contract. Actual audited costs were traced to rough notes and payroll summaries for the period audited. Safe Shelter did not maintain a system for allocating and supporting salary charges by either an exception reporting system or a positive reporting system.

WE RECOMMEND that Safe Shelter, Inc. properly document and maintain payroll records as required by the contract.

NOTE: We noted that Safe Shelter, Inc. implemented a positive reporting system for payroll in February, 1998.

Installation of Accounting System

9. Safe Shelter, Inc. did not have a chart of accounts or an accounting system to properly record and classify revenues and expenditures. Therefore they could not properly support charges to FIA. Transactions need to be supported by vouchers and receipts that detail the reason for the transaction.

WE RECOMMEND that Safe Shelter, Inc. establish an accounting system which identifies and supports all expenditures billed to FIA.

NOTE: We noted that Safe Shelter, Inc. put in place an accounting system which identifies and supports all expenditures billed to FIA while the auditor was still on site.

Finding #	Line Item	Year		(Over)/Under Billed Gross Amount	Total by Contract Year	Total (Over) Billed Amount
1	Salaries	94/95		\$ (473)		
Total 1994/95 Audit Adjustments					\$ (473)	
1	Salaries	96/97		\$ (15,445)		
2	STOP Fringes	96/97		\$ (800)		
3	STOP Supplies	96/97		\$ (77)		
4	STOP Transpt.	96/97		\$ (1,319)		
7	STOP Spec.Asst.	96/97		\$ (1,088)		
Total 1996/97 Audit Adjustments					\$ (18,729)	
1	Salaries/STOP	97/98		\$ 2,147		
2	STOP Fringes	97/98		\$ 81		
4	STOP Transpt.	97/98		\$ (246)		
5	STOP Commun.	97/98		\$ (150)		
6	STOP Equip.	97/98		\$ (350)		
7	STOP Spec.Asst.	97/98		\$ (625)		
Total 1997/98 Audit Adjustments					\$ 857	
Grand Total of the Audit Adjustments						\$ (18,345)